

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1214
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Intergovernmental Relations
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Committee Report (Substituted)

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Municipalities and other political subdivisions in Texas are allowed the use of a broker of record when soliciting for excess or surplus insurance. Under certain market conditions, the same ability would be an advantage for certain counties when soliciting insurance bids. A broker of record, who is paid by the entity instead of a commission by the carrier, has access to a broader market and can introduce more competition in the purchasing process and generate greater savings for counties. This is especially true in a tight underwriting market.

C.S.S.B. 1214 allows a county with a population of 800,000 or more to select an appropriately licensed broker of record who is a professional familiar with the way that underwriters and insurance companies in these highly specialized markets are accustomed to doing business. This bill allows the county to be more efficient and to take advantage of the broader market exposure that such brokers can afford.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 262, Local Government Code, by adding Section 262.036, as follows:

Sec. 262.036. SELECTION OF INSURANCE BROKER. (a) Authorizes a county with a population of 800,000 or more, notwithstanding any other provision in this chapter, to select an appropriately licensed insurance broker as the sole broker of record to obtain proposals and coverages for insurance that provides necessary coverage in all areas of risk, including public official liability, property, casualty, workers' compensation, and specific and aggregate stop-loss coverage for self-funded health care.

(b) Authorizes the broker to be retained only on a fee basis and prohibits the broker from, directly or indirectly, receiving any other remuneration, compensation or payment of any type from any other source for the placement of insurance business under the broker of record contract.

(c) Prohibits the broker from submitting any insurance carrier proposal to the county, or directing any county insurance business to any carrier, if the broker has a business relationship or proposed business relationship with the carrier, including an appointment, unless the broker discloses in writing to the county the full nature of the relationship, including all written and oral contracts and proposals, prior to the earlier of the county's review of any insurance proposals provided by the broker or the direction of any county insurance business to the carrier.

(d) Provides that a broker violating this section is subject to any disciplinary remedy, including license revocation or fine, available under Chapter 82 (Sanctions) and Section 4005.102 (Remedies For Violation of Insurance Laws of Commissioner Rules), Insurance Code.

SECTION 2. Effective date: upon passage or September 1, 2005.